

Tariff Increases Impact Bonds

Additional tariffs such as Section 201, 232 and Section 301 will most likely impact import bonds and in turn, importers must be proactive to adhere to Customs Border Protection's (CBP) requirements to avoid bond insufficiency. It's important to understand how these increased tariffs will impact import bonds. Should a bond be deemed insufficient by CBP, additional costs and delays can be detrimental to a company.

Understanding how increased duties will impact import bonds

Regular duties and antidumping/countervailing duties are taken into account when calculating the bond limit. Therefore, importers may have to obtain a higher bond amount to comply with the higher tariff rates. The example to the right shows how the bond limit may need to increase for a company who imports \$10,000,000 worth of steel in a 12 month period at a duty free rate per CBP's Bond Formulas.

With additional tariffs the new bond limits required may be significant. Given that Customs uses the duties, taxes, and fees on a rolling 12-month basis to determine bond sufficiency of continuous bonds, they may send an insufficiency letter requiring an increase. A bond with egregious deficiencies can be rendered insufficient immediately by Customs, which may lead to additional costs and delays for the importing company, since insufficient bonds cannot be used to import.

In addition, Sureties may require additional information, such as financial statements and collateral, on bonds with higher limits or when importing commodities covered by these new tariffs. Additional time may be needed for the filing of the new bond.

In order to replace an insufficient bond with a new sufficient bond without the 15-day waiting period, a Fast Termination may be requested in accordance with § 19 C.F.R. 113.27(b) and in accordance with CBP's General Notice published in the Federal Register on January 7, 2015. However, this is subject to CBP approval and also requires a more manual process vs. the automated eBond process. If CBP determines the Fast Termination is not necessary, the termination will be processed under the 15-day timeframe.

Making sure your bond is sufficient

- Allow ample time, reach out to your importing customers of steel and aluminum to determine if their continuous bonds will require increases depending on their plans to continue importing these commodities.
- For those importers that may require increase, start gathering of any underwriting requirements that may be needed, such as a Bond Application and Indemnity, and Financial Statements.
- When applying for a new bond, you are encouraged to consider the duties, taxes and fees anticipated for the next 12 months to avoid a bond sufficiency letter from CBP and potential disruption to your import activity.
- Avalon receives duty information and can send out bond insufficiency emails when applicable on bonds written by Avalon. If you use Avalon's Merlin software, you can sign up for Bond Sufficiency Email Notifications. You can also use its Bond Sufficiency Calculator to help determine the bond limit that your import clients may need.

Please note that it is the importer's responsibility to ensure that their bond limit is adequate, and we encourage them to monitor their activity and bond sufficiency closely and proactively. Avalon is here to assist you in helping your import clients manage their bond needs. If you have any concerns about bond sufficiency or the effects of these new tariffs, please contact your Avalon representative to determine bonding needs.



Current Bond	
Regular Duty (Free)	\$0.00
Limit (10% of duties, taxes and fees, rounded up per CBP's formulas)	\$50,000.00*
*This is the minimum bond limit.	

Sample New Bond	
Regular Duty (Free) + Sec. 232 Tariff (25%)	\$2,500,000.00
Limit (10% of duties, taxes and fees, rounded up per CBP's formulas)	\$300,000.00**
**(10 million x 25%)	
**10% of \$2.5 million, rounded up by increments of \$100,000	



WWW.AVALONRISK.COM

17 BATTERY PL SUITE 234, NEW YORK, NY 10004 | PHONE: (646) 490-5725 | FAX: (646) 490-6820

ATLANTA | BOSTON | CHARLESTON | CHICAGO | HOUSTON | LOS ANGELES | MIAMI | NEW YORK | SAN FRANCISCO | SEATTLE | TORONTO

This handout is designed to provide critical information in the transportation industry. Avalon Risk Management is not responsible for the accuracy of reliability of information contained in articles. The reader/user assumes all risk in the use of such information.

For more information please contact Wanda Sample- wsample@avalonrisk.com
or Carli Gallagher- cgallagher@avalonrisk.com

FORM B614 17/10/18